

D.P.U. 93-7B

Application of Nantucket Electric Company:

(1) under the provisions of G.L. c. 164, § 94G and the Company's tariff, M.D.P.U. 193B, for approval by the Department of Public Utilities of a change in the quarterly fuel charge to be billed to the Company's customers pursuant to meter readings in the billing months of August, September, and October 1993; and

(2) for approval by the Department of rates to be paid to Qualifying Facilities for purchases of power pursuant to 220 C.M.R. 8.00. The rules established in 220 C.M.R. 8.00 set forth the filings to be made by electric utilities with the Department, and implement the intent of sections 201 and 210 of the Public Utilities Regulatory Policies Act of 1978.

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APPEARANCES: Stephen H. August, Esq.  
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21 Custom House Street  
Boston, Massachusetts 02110  
FOR: NANTUCKET ELECTRIC COMPANY  
Petitioner

Jane Walton  
22 North Pasture Lane  
Nantucket, Massachusetts 02554  
Limited Participant

I. INTRODUCTION

On June 28, 1993, pursuant to G.L. c. 164, § 94G and 220 C.M.R. 8.00, Nantucket Electric Company ("Nantucket" or "Company") notified the Department of Public Utilities ("Department") of the Company's intent to file a quarterly change to its fuel charge in conformance with its tariff, M.D.P.U. 193B, and to its Qualifying Facility ("QF") power purchase rates in conformance with its tariff, M.D.P.U. 193B. The Company requested that both these changes be effective for bills issued pursuant to meter readings for the billing months of August, September, and October, 1993. The matter was docketed as D.P.U. 93-7B.

Pursuant to notice duly issued, a public hearing on the Company's application was held on July 22, 1993, at the Department's offices in Boston. Notice of the hearing was published by the Company in the Nantucket Inquirer and Mirror. The Company also complied with the requirement to mail a copy of the notice of the hearing to all persons with whom the Company has special retail contracts that do not incorporate a filed rate, and to all intervenors and their respective counsel from the Company's prior two fuel charge proceedings. Jane Walton, a residential customer of the Company, was granted status as a limited participant in this proceeding (Tr. at 3).

At the hearing, the Company sponsored one witness: Douglas Kenward, director of planning and regulatory affairs for

the Company. The five exhibits submitted by the Company were admitted into evidence<sup>1</sup>.

Nantucket supplies electricity at retail cost to the Island of Nantucket, which is not interconnected with the mainland or with any other electric company or system. Thus, the Company is distinguishable from most other New England utilities in that it is completely dependent on itself and any nonutility power producers on Nantucket Island for its generation needs. The Company's generating plant consists of thirteen internal combustion (diesel) engines and associated generators, variously sized from 700 kilowatts ("KW") to 6,900 KW, with a total installed generating capacity of approximately 32,250 KW. The Company has 7,540 customers on a monthly basis, of which approximately 2,000 are year-round customers. In its 1992 annual report to the Department, the Company reported retailed revenues of \$11,940,184 from the sale of 83,661 megawatt hours of electricity.

## II. FUEL CHARGE

On July 15, 1993, the Company filed with the Department its proposed changes to its fuel charge and QF power purchase rates for August, September, and October 1993. For these billing months, the Company proposes a fuel charge of \$0.05277 per

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1 Exhibit N-5, Nantucket's unit and system performance goals for April 1, 1992, through March 31, 1993, was admitted into evidence, however, the Department informed the Company that further investigation into these matters is necessary and a separate hearing will be conducted at a later date (Tr. 4).

kilowatthour ("KWH") (Exh. N-1, at 6; Tr. 5). Nantucket has included the incremental expense associated with leasing and operating two 1,750 KW emergency diesel generators required to provide the Company with sufficient reserve capacity while an overhaul of Unit 7, the company's largest generator is being performed (Exh. N-1, at 7; Tr. at 7<sup>2</sup>). In its calculation of the proposed fuel charge, the Company first estimated the cost of fuel and purchased power for the three month period commencing August 1, 1993 at \$1,043,312.30 (Exh. N-1, at 5). From this amount, Mr. Kenward added \$113,888.89 to take into account the reconciliation for the prior four-month period<sup>id.</sup>). This results in a total to be collected of \$1,157,201.19 which is divided by the estimated sales of 21,927,216 KWH (for the three months commencing August 1, 1993) resulting in the proposed fuel charge of \$0.05277 (id. at 5-6).

The proposed fuel charge is \$0.00022 per KWH less than the fuel charge of \$0.05299 per KWH approved by the Department in Nantucket Electric Company D.P.U. 93-7A (1993) for meter readings for the billing months of May, June, and July 1993<sup>id.</sup> at 8). Mr. Kenward stated that the decrease in the fuel charge is attributable to a decrease in the cost of fuel projected for

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2 Nantucket has placed the costs associated with the lease and operation of the emergency diesel generators in the fuel charge mechanism, citing Massachusetts Electric Company, D.P.U. 90-261 (1991) (Company letter, dated July 15, 1993). The units were put in service on June 21, 1993, and are expected to be operating until early August, 1993 (Tr. at 7-9).

the forthcoming quarter, combined with an increase in projected KWH sales (id. at 9; Tr. at 6). Further, Mr. Kenward also stated that the Company has projected an underrecovery of \$113,888.89 through July 1993, because of the expenses associated with the replacement of Unit No. 7, as well as the fact that the leased combustion turbines consume more fuel than the diesel unit (Tr. at 7-8).

### III. QUALIFYING FACILITIES

Pursuant to the Department's rules in 220 C.M.R. § 8.00~~et~~ seq., rates to be paid to QFs for short-run power purchases are set with the same frequency as the fuel charge. A QF is a small power producer or cogenerator that meets the criteria established by the Federal Energy Regulatory Commission in 18 C.F.R. § 292.203(a) and adopted by the Department in 220 C.M.R. § 8.02.

Pursuant to the governing regulations, the Company is required to calculate short-run energy purchase rates on a time-of-supply basis for two rating periods: peak and off-peak. In addition, the Company is required to calculate a non-time-differentiated rate,i.e., a total period rate, which is a weighted average of the time-of-supply rates, where the weighting is a function of the number of hours in each rating period. See 220 C.M.R. § 8.04(4)(b).

The Company proposed the following standard rates to be paid to QFs during August, September, and October 1993:

Energy Rates By Voltage Level (Mills/KWH)

<u>Voltage Level</u>	<u>Peak</u>	<u>Off-Peak</u>	<u>Total</u>
Primary	\$0.06761	\$0.06380	\$0.06635

Short-Run Capacity Rates (Mills/KWH)

<u>Voltage Level</u>	<u>Short Run Capacity Rate</u>
Primary	\$0.021936

IV. FINDINGS

Based on the foregoing, the Department finds:

1. that the fuel charge to be applied to Company bills issued pursuant to meter readings for the billing months of August, September, and October 1993, shall be \$0.05277 per KWH. (The calculation of the fuel charge is shown in Table (1) attached to this Order.)

2. that the qualifying facility power purchase rates for August, September, and October 1993, shall be the rates set forth in Section III above.

V. ORDER

Accordingly, after due notice, hearing and consideration, it is

ORDERED: That Nantucket Electric Company is authorized to put into effect a quarterly fuel charge of \$0.05277 per KWH as

set forth in Section IV, Finding 1 of this Order for bills issued pursuant to meters reading for the billing months of August, September and October 1993; and it is

FURTHER ORDERED That the fuel charge approved herein shall apply to kilowatthours sold to the Company's customers subject to the jurisdiction of the Department and shall be itemized separately on all such customers' electric bills; and it is

FURTHER ORDERED That the Company's Qualifying Facility power purchase rates for the billing months of August, September, and October 1993, shall be those set forth on page five of this Order; and it is

FURTHER ORDERED That the Company, in all future fuel charge proceedings, shall notify all intervenors and their respective counsel from the Company's prior two fuel charge proceedings that it is proposing an adjustment to its fuel charge, and shall also notify these persons of the date scheduled for the hearing on the proposed fuel charge at least ten days in advance of the hearing; and it is

FURTHER ORDERED That the Company, in all future fuel charge proceedings, shall provide all intervenors and their respective counsel from the prior two fuel charge proceedings with a copy of its fuel charge filing, in hand or by facsimile, on the same day it is filed with the Department; and it is

FURTHER ORDERED That, pursuant to G.L. c. 164, § 94G (a) and (b), fuel costs allowed by this Order are subject to such disallowance as the Department may determine in any subsequent investigation of the Company's performance period that includes the quarter applicable to the present charges.

By Order of the Department,